

Mr. Eric Rogers, Controller
Lexington Medical Center Extended Care
815 Old Cherokee Road
Lexington, South Carolina 29072

Re: AC# 3-LMC-J7 – Lexmed, Inc. d/b/a Lexington Medical Center Extended Care

Dear Mr. Rogers:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER
EXTENDED CARE**

LEXINGTON, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-LMC-J7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 21, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Lexmed, Inc. d/b/a Lexington Medical Center Extended Care, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Lexmed, Inc. d/b/a Lexington Medical Center Extended Care, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, and Summary of Costs and Total Patient Days sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Lexmed, Inc. d/b/a Lexington Medical Center Extended Care dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 21, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-LMC-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$95.83	\$96.58
Adjusted reimbursement rate	<u>95.47</u>	<u>96.22</u>
Decrease in reimbursement rate	\$ <u><u>.36</u></u>	\$ <u><u>.36</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 1998 Through November 30, 1998
 AC# 3-LMC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$48.35	\$48.65	
Dietary		7.52	9.44	
Laundry/Housekeeping/Maint.		<u>7.33</u>	<u>7.70</u>	
Subtotal	<u>\$2.59</u>	63.20	65.79	\$63.20
Administration & Med. Rec.	<u>\$2.70</u>	<u>7.68</u>	<u>10.38</u>	<u>7.68</u>
Subtotal		70.88	<u>\$76.17</u>	70.88
<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		.36		.36
Medical Supplies & Oxy.		5.58		5.58
Taxes and Insurance		.45		.45
Legal Fees		<u>.15</u>		<u>.15</u>
TOTAL		<u>\$80.15</u>		80.15
Inflation Factor (3.60%)				2.89
Cost of Capital				10.43
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.70
Cost Incentive				2.59
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.54)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$95.47</u>

LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE

Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1998 Through September 30, 1999
AC# 3-LMC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
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Dietary		7.52	9.44	
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Subtotal	<u>\$2.59</u>	63.20	65.79	\$63.20
Administration & Med. Rec.	<u>\$2.70</u>	<u>7.68</u>	<u>10.38</u>	<u>7.68</u>
Subtotal		70.88	<u>\$76.17</u>	70.88
<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		.36		.36
Medical Supplies & Oxy.		5.58		5.58
Taxes and Insurance		.45		.45
Legal Fees		<u>.15</u>		<u>.15</u>
TOTAL		<u>\$80.15</u>		80.15
Inflation Factor (3.60%)				2.89
Cost of Capital				10.43
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.70
Cost Incentive				2.59
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.54)
Minimum Wage and CNA Add Ons				<u>1.00</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$96.22</u>

LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1997
 AC# 3-LMC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 6,025,484	\$ -	\$ -	\$ 6,025,484
Dietary	936,707	-	-	936,707
Laundry	330,845	-	-	330,845
Housekeeping	345,055	-	-	345,055
Maintenance	237,415	-	-	237,415
Administration & Medical Records	1,000,785	-	44,165 (1)	956,620
Utilities	340,660	-	-	340,660
Special Services	45,357	-	-	45,357
Medical Supplies & Oxygen	695,396	-	-	695,396
Taxes & Insurance	55,709	-	-	55,709
Legal Fees	18,919	-	-	18,919
Cost of Capital	<u>1,299,849</u>	<u>-</u>	<u>-</u>	<u>1,299,849</u>
Subtotal	11,332,181	-	44,165	11,288,016

LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1997
 AC# 3-LMC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	147,519	-	-	147,519
Non-Allowable	<u>671,373</u>	<u>44,165</u> (1)	<u>-</u>	<u>715,538</u>
Total Operating Expenses	<u>\$12,151,073</u>	<u>\$44,165</u>	<u>\$44,165</u>	<u>\$12,151,073</u>
Total Beds	<u>352</u>	Total Patient Days*		<u>124,626</u>

* Adjusted to 97% occupancy

LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE
 Adjustment Report
 Cost Report Period Ended September 30, 1997
 AC# 3-LMC-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$44,165	\$44,165
	To disallow expenses not adequately documented HIM-15-1, Section 2304 Provider Contract, Article IX Paragraphs AA and CC		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>44,165</u>	\$ <u>44,165</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.